

Washington, DC -- Congressman Vern Buchanan heard testimony today from a local expert regarding the challenges and possibilities facing s-corporations (S-corp) as they strive to compete in the modern and global economy. S-corporations divide their income or losses among their shareholders who must then report it on their own individual tax returns. Today is the 50th anniversary of the passage of legislation permitting the formation of S-corp.

“For the past half century, s-corporations have offered small business owners across the nation the ability to benefit from limited liability protection. But as everybody knows . . . times they are a changing. And what was right and proper fifty years ago doesn’t always add up to what is right and proper today. I don’t think we’re talking about a matter that requires complete overhauling. It seems to me that we can achieve greater fairness, safety, and opportunity by simply bringing the existing system into the modern age.”

“The S-corporation tax rules are very complex and costly to administer,” Byron Shinn, President of Shinn & Company, P.A. in Bradenton told members of the Finance and Taxes Subcommittee.

Shinn noted that many of state chartered corporations are choosing to be treated as partnerships to take advantage of the Federal partnership tax rules. “The convergence of the S-corporation rules over to the partnership arena seems only fair and logical to reduce administrative costs for small business,” said Shinn.

The Bradenton CPA also recommended the suspension of the passive loss rules for rental real estate which limit the current deduction of losses incurred by the taxpayer on rental real estate and other investments reported from pass-through entities such as S-corporations and partnerships. “This would maximize flexibility and would help with the real estate situation that is impacting almost every American and financial institution,” added Shinn.

As the Republican leader of the House Committee on Small Business’s Subcommittee on Taxes and Finance, Buchanan invited Shinn to testify regarding potential reforms that promote parity, growth and development for S-corporations. Shinn is a Bradenton CPA who prepares hundreds of small business S-corp tax returns each year and operates his firm as an S-corp. He was recommended to Buchanan by the Manatee Chamber of Commerce.